

Service Contracting

**Acquisition Advisory Panel
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Agenda

- **Northrop Grumman Today**
- **Service Contracting:**
 - Positive Experiences
 - Areas for Improvement
- **Q & A Session**

Northrop Grumman Today

- **One of world's leading defense companies**
- **\$30B sales in 2004**
 - \$7B in service contracts to the Government
- **\$60B total backlog**
- **125,000 people, 50 states, 25 countries**
- **Leading capabilities in:**
 - Systems integration
 - C4ISR and battle management
 - Information technology and networks
 - Defense electronics
 - Naval shipbuilding
 - Space and missile defense

Service Contracting- Positive Experiences

- **Increased opportunities to offer services not traditionally provided**
 - Gives government more flexibility in a changing environment
 - Results in better, faster and less costly services through standardization of best practices
 - Allows for use of limited Government / Military personnel in more critical roles
- **Increased awareness and recognition of the benefits of the Safety Act in Federal procurements**

Outsourcing of services has benefited both the Government and Industry

Service Contracting- Positive Experiences (continued)

- **Use of multiple award pre-negotiated GSA agreements, GWACs*, and other agency agreements increasing and have:**
 - Provided for streamlined procurement processes
 - Significantly reduced the cost of doing business for Government and Industry
- **Rapid Response (CECOM) and the Seaport E (Navy) contracts have dramatically reduced cycle time for source selections**
 - Contracts historically awarded in 6-12 months are now awarded in a few weeks / months

Streamlined contracting practices similar to industry trend have made it faster and cheaper to procure services

Service Contracting- Areas for Improvement

- **Allow the marketplace to dictate what bidders receive as a reasonable profit on all allowable costs**
- **Allow contractors to apply overhead burdens to all elements of cost in accordance with their government approved overheads**

Competitive profits encourage more companies to bid, which keeps prices in check

Service Contracting- Areas for Improvement (continued)

- **Simplify the definition of commercial services**
 - Mirror definition applied to commercial products
 - Eliminate the requirement that standalone services be based on established catalog or market prices for specific tasks or outcomes
- **Eliminate non-commercial requirements that increase costs to the Government**
 - Reduce the level of ACRN* validation / reconciliation
 - Eliminate back-up documentation from invoices under Wide Area Workflow (WAWF) electronic billing

Reduced requirements reduces cost

Service Contracting- Areas for Improvement (continued)

- **Make statutory changes to permit Time & Material (T&M) and Labor Hour (LH) contracts to be used in sole source situations when price reasonableness is supported**
- **Revise FAR Part 12 to reflect SARA statutory changes granting authority to use T&M and LH contracts to acquire commercial services if award is competitive**
- **Consistently apply Organizational Conflict of Interest (OCI) concepts across and within agencies**
 - Inconsistent application may unintentionally disqualify a services provider from supplying follow-on hardware

Increased use of T&M and LH contracts will bring Government in line with standard commercial practices

Service Contracting- Areas for Improvement (continued)

- **Recognize contractor's need for indemnification in the post 9/11 terrorism environment**
 - Increase application of Safety Act and P.L. 85-804 coverage
- **Improve Safety Act implementation process**
 - Recognize and include guidance regarding Safety Act implementation in the FAR
 - Streamline application and approval process
- **Include Third Party Liability protection for Anti-Terrorism support services**
 - "Insurance – Liability to Third Persons" in all contract types (FAR 52.228.7)
 - "Limitation of Liability Services" (FAR 52.246.25)

Companies must mitigate catastrophic risk in order to provide services to the USG

Conclusion

- **Significant improvements have been made over the past few years**
- **Further opportunities for improvements in cycle time and cost reductions exist for Service Contracting**
- **Implementing these improvements remains our collective challenge**



Q&A Session